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2001 JUL -6 P 4:24

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WILLIAM A. MUNDELL  
Chairman  
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MARC SPITZER  
Commissioner

IN THE MATTER OF A.R.S § 40-360.02  
REQUIRING THE ARIZONA  
CORPORATION COMMISSION TO  
PERFORM A BIENNIAL TRANSMISSION  
ASSESSMENT OF EXISTING AND  
PLANNED TRANSMISSION FACILITIES  
AND ISSUE A DECISION REGARDING  
ADEQUACY TO MEET ARIZONA'S  
ENERGY NEEDS IN A RELIABLE  
MANNER.

DOCKET NO. E-00000A- 01-0120

COMMENTS OF ARIZONA  
PUBLIC SERVICE COMPANY TO  
STAFF'S PROPOSED CHANGES

Arizona Public Service Company ("APS") hereby submits these comments to Staff's "Proposed Changes to the Biennial Transmission Assessment Report 2000-2009" ("Proposed Changes"). Because Staff has stated that all stakeholder comments will be appended to the final Biennial Transmission Assessment Report ("Assessment"), APS will not restate all of its comments to the Assessment, to the proposed changes discussed at both workshops, or to Staff's Proposed Changes. Rather, APS will address in these comments only its most significant concerns with the Assessment. APS does, however, incorporate by reference its April 13, 2001 Exceptions and its May 4, 2001 Comments.

Arizona Corporation Commission

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1           **1.     The Assessment's Proposed Standard for Determining Transmission Import**  
2           **Capacity Must Be Modified.**

3           In response to comments on its initial Assessment, Staff has proposed a new  
4 standard for measuring transmission adequacy. The new standard provides that:

5           There should be sufficient transmission import capacity to reliably serve all  
6 loads in a utility's service area without limiting access to more economical  
7 or less polluting remote generation.

8 (Proposed Changes at p. 4.) At the workshop, APS noted that the term "more  
9 economical" in the new standard could not refer simply to the marginal cost of any given  
10 remote power plant, but must consider the cost to construct additional transmission lines  
11 to access local loads. Of course, any standard must also consider additional issues such as  
12 transmission line losses and costs, ancillary services, and reliability. Staff agreed that the  
13 cost of transmission lines should be considered, but indicated that its proposed standard  
14 was intended to address concerns over the use of "must run" generation in the Valley.  
15 (6/22/01 Tr. at pp. 24-26, 28.)

16           A superficial consideration of "must-run" requirements for local generation,  
17 however, does not provide an acceptable standard for determining transmission adequacy.  
18 Nor has staff demonstrated that a "new" standard that could result in significant  
19 overbuilding of transmission lines is warranted. For example, APS' "must-run"  
20 requirements for the year 2000 in the Valley are provided below:

<u>Must Run Requirements (MW)</u>	<u>Hours/Year</u>
500-880	178
250-500	320
1-250	458

24           This table shows that APS' Valley generation was "must run" for 956 hours in the year  
25 2000, with peak "must run" capacity of 880 MW. However, the table also shows that  
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1 almost 50 percent of APS' "must run" hours for the Valley was for less than 250 MW.  
2 Moreover, out of all 956 hours of "must run," local generation was out of the market for  
3 only 6 hours.<sup>1</sup> APS (and possibly the Federal Energy Regulatory Commission) would not  
4 consider it prudent to expend tens or hundreds of millions of dollars—and impose other  
5 environmental and social impacts—constructing new transmission lines to resolve a 6  
6 hour per year problem.

7 Additionally, the reference in the proposed new standard to using "less polluting"  
8 remote generation is, put simply, unmanageable. For example, would this standard  
9 suggest a need to balance the environmental impacts of a local state-of-the-art natural gas  
10 plant and a more remote coal facility when making economic dispatch decisions? What if  
11 a facility is "more" polluting but located in an attainment area, as opposed to a "less"  
12 polluting source located in a non-attainment area? Moreover, when APS makes wholesale  
13 power purchases it does not (and generally cannot) know whether the generator providing  
14 such energy is more or less polluting than any other merchant generator, or any generator  
15 in APS' economic dispatch schedule. The federal Clean Air Act establishes standards to  
16 protect human health, and these standards apply to generators. There is no justification to  
17 intercede in non-jurisdictional emissions issues by adopting an overly vague standard.

18 Finally, from a legal standpoint, the new "standard" proposed by Staff cannot be  
19 adopted as policy by the Commission without complying with the rulemaking  
20 requirements in the Arizona Administrative Procedure Act. *See, e.g., Appalachian Power*  
21 *Co. v. EPA*, 208 F.3d 1015 (D.C. Cir. 2000) (EPA "guidelines" required rulemaking  
22 under analogous federal Administrative Procedure Act). Moreover, the potential for the  
23 new standard to require the construction of non-load justified transmission to merchant  
24 generators treads dangerously close to FERC's exclusive jurisdiction over bulk power

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26 <sup>1</sup> This means that local generating units met their "must run" requirements on  
economic dispatch for all but 6 hours in the year 2000.

1 facilities. Transmission pricing, cost recovery, interconnection requirements, and  
2 ratemaking are exclusively controlled by FERC, and federal law preempts inconsistent  
3 state laws and regulations. *See, e.g.,* 16 U.S.C. § 821(b)(1) (2001); *California Public*  
4 *Utilities Commission v. FERC*, 900 F.2d 269, 274 (D.C. Cir. 1990) (citing cases and  
5 noting that “cases are legion affirming the exclusive character of FERC jurisdiction where  
6 it applies. . .”).

7 To resolve these various issues, APS recommends that the standard be modified to  
8 more accurately address the issues raised in this proceeding and to avoid intruding on  
9 FERC’s exclusive jurisdiction. A better and more reasonable standard for purposes of the  
10 Assessment is:

11 There should be sufficient transmission import capability to economically  
12 and reliably serve retail load requirements in utility service areas.

13 Alternatively, the Assessment should clarify that the proposed “standard” for transmission  
14 adequacy is not a rule or a policy, but merely a Staff recommendation which does not  
15 require any specific action now or in the future on the part of transmission owners. Thus,  
16 clarifying language should be appended to the proposed standard stating:

17 This standard is a Staff guideline and is not intended to be a Commission  
18 rule or policy, or itself require specific action by any transmission provider  
19 or power plant operator.

20  
21 **2. The Assessment Should Not Adopt or Discuss a Policy Limiting the Use**  
22 **of Utility Corridors.**

23 Based on a single, anecdotal conclusion arising from comments made to the  
24 Assessment—and without supporting evidence or stakeholder comment—Staff’s  
25 Proposed Changes include what might be construed as a major policy shift in the use of  
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1 utility corridors to site transmission lines. (Proposed Changes pp. 5-6.) Specifically, Staff  
2 proposes to add language to the Assessment expressing their concern for placing multiple  
3 transmission lines serving the same load in common corridors. Staff goes on to suggest  
4 that there must be a "balance" between the "environmentally-driven practice" of using  
5 utility corridors and system reliability. (*Id.* at p. 6.)

6 On the one hand, Staff advocates siting and constructing more transmission lines in  
7 the Assessment. On the other hand, they now appear to propose language that may make  
8 it more difficult to site such lines. Indeed, such a position on utility corridors would  
9 increase the environmental impacts of the transmission lines in derogation of the  
10 Commission's responsibilities in A.R.S. § 40-360.07. Further, the discussion leading up  
11 to this position does not indicate that Staff has considered any material factors regarding  
12 common corridors. For example, there is no discussion about transmission tower design  
13 and spacing, which prevent the failure of one transmission line from impacting a parallel  
14 transmission line. There is no probabilistic assessment of the likelihood of an event that  
15 could cause the failure of more than one transmission line. In fact, in many circumstances  
16 the loss of even two transmission lines serving the same load would not result in a direct  
17 impact to that load. And there is no assessment of how quickly a failure could be  
18 remedied by constructing a temporary "shoefly" around the failed transmission structures.  
19 Without such a detailed analysis, it is impossible to reject the concept of utility corridors  
20 and justify the use of new transmission routes with additional environmental impacts.

21 Ultimately, this is not an issue that needs to be addressed at all in the Assessment.  
22 Staff intervenes in every transmission line siting case before the Arizona Power Plant and  
23 Transmission Line Siting Committee. Staff can raise any concerns it may have on specific  
24 transmission line routing before the Siting Committee (and subsequently the Commission)  
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1 and the merits can be addressed on a case-by-case basis. Accordingly, APS recommends  
2 deleting the last paragraph proposed for insertion on pp. 5-6 of the Proposed Changes.  
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### 4 3. The "Two Line" Rule and Staff's Guiding Principles.

5 Despite overwhelming and persuasive comments from a variety of parties  
6 criticizing the "two line" requirement for the interconnection of new generators to the  
7 transmission grid, the Proposed Changes still do not appear to adequately address this  
8 issue. Rather than recognizing that the Guiding Principles are not appropriate for  
9 inclusion in the Assessment, the Proposed Changes merely include a statement that Staff  
10 was not recommending that the Guiding Principles become "Commission Rules."  
11 (Proposed Changes at p. 7.) At the same time, Staff is apparently asking the Commission  
12 to adopt the Assessment as "policy." (*Id.* at 2.) This could result in some parties  
13 construing the "two line" requirement to be more than just the "professional opinion of  
14 Commission Staff." (*Id.* at 7.)

15 Accordingly, the Guiding Principles should be omitted entirely from the final  
16 Assessment. Alternatively, the insert to Section 1.3 of the Assessment should be clarified  
17 to read:

18 The Guiding Principles represent the professional opinion of Commission  
19 Staff. As such, the Guiding Principles are not intended to be Commission  
20 Rules or policy. However, Staff or the Commission reserves the right to  
21 open a rulemaking docket in the future to codify the Guiding Principles.

22 Like the utility corridor issue discussed above, the "two line" requirement should be  
23 addressed on a case-by-case basis before the Siting Committee and should not become a  
24 Staff or Commission "policy."  
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1           **4. Proposed Commission Action on the Assessment.**

2           Although no proposed form of order was provided with the Proposed Changes,  
3 several of the changes suggest that Staff will request more action from the Commission  
4 than is either necessary or appropriate in this matter. Given the significant disagreements  
5 between Staff and stakeholders over many of the policy issues in the Assessment and the  
6 obligation that substantive requirements be developed in a rulemaking proceeding, APS  
7 does not believe that the Commission should “adopt” the Assessment as Commission  
8 policy. At most, the Commission should “accept” the Assessment and determine that it  
9 complies with A.R.S. § 40-360.02.

10           Additionally, Staff had proposed a clarifying paragraph stating that the Assessment  
11 was the professional opinion of Staff, and not Commission policy. (*See* Proposed  
12 Changes at p. 2.) In the Proposed Changes, however, an additional sentence was added to  
13 that paragraph: “This Transmission Assessment will not be ACC policy unless and until  
14 adopted by Commission Decision.” (*Id.*) That addition arguably nullifies the concerns  
15 that APS believed Staff was trying to address. Further, it places into question the scope  
16 and extent of “ACC policy” that is intended to result from the Assessment. For example,  
17 will the Guiding Principles, which are specifically described as being only an opinion of  
18 Staff, nonetheless become “ACC policy” following a Commission decision in this docket?  
19 Accordingly, the additional language added to the insert on Page 2 of the Proposed  
20 Changes should be deleted.

21           Finally, the “Next Steps” included on the final page of the Proposed Changes could  
22 be construed to require transmission providers to propose additional transmission facilities  
23 without any further analysis of costs or benefits associated with such facilities. As  
24 discussed above, specific decisions regarding additional transmission facilities involve  
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1 more than simply an analysis of the marginal cost of any given merchant generator.  
2 Accordingly, the third bullet of the Next Steps should be revised to request:

3       Technical Study Reports with Ten-Year filings identifying potential  
4       transmission enhancements that could address local constraints and their  
5       associated costs.

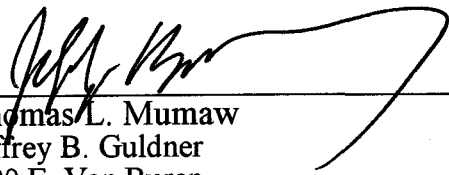
6       Once the various options and cost estimates are prepared, Staff and transmission providers  
7       can more accurately make effective and economical planning decisions.

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9       **5. Conclusion.**

10       APS appreciates Staff's efforts in preparing the Assessment, its consideration of  
11       the comments of interested parties to the Assessment, and its hosting two workshops on  
12       the Assessment. These efforts constitute important steps in addressing the electric  
13       transmission needs of APS' customers and our state. With the additional inclusion of the  
14       comments and suggestions provided above, APS believes that significant progress will  
15       have been made towards assessing current and future transmission issues in Arizona.


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17       RESPECTFULLY SUBMITTED this 6th day of July, 2001.

18                               SNELL & WILMER L.L.P.

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